

Gulf Cement Company P.S.C.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2021

GULF CEMENT COMPANY P.S.C.

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF CEMENT COMPANY P.S.C.

Introduction

We have reviewed the accompanying interim condensed financial statements of Gulf Cement Company P.S.C. (the “Company”) as at 30 June 2021 which comprise the interim statement of financial position as at 30 June 2021 and the related interim statements of profit or loss and comprehensive income for the three-month and six-month periods then ended and the interim condensed statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standards 34, Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



Signed by:
Ashraf Abu Sharkh
Partner
Registration No. 690

11 August 2021

Sharjah, United Arab Emirates

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021 (unaudited)

	Notes	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
		<i>30 June 2021</i>	<i>30 June 2020</i>	<i>30 June 2021</i>	<i>30 June 2020</i>
		<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Revenue	4	90,932,538	85,657,563	167,574,806	173,918,837
Cost of sales		(102,748,217)	(98,442,892)	(188,621,448)	(201,571,183)
GROSS LOSS		(11,815,679)	(12,785,329)	(21,046,642)	(27,652,346)
Other operating income		951,255	2,295,312	2,162,405	4,417,855
Selling, distribution and administrative expenses		(11,203,356)	(10,296,163)	(19,791,528)	(21,950,931)
Investment income / (loss) - net	5	3,804,752	1,786,025	7,201,501	(2,768,622)
Finance cost		(507,345)	(657,248)	(1,077,185)	(1,115,056)
Other income	6	178,536	125,704	7,169,754	631,976
LOSS FOR THE PERIOD		(18,591,837)	(19,531,699)	(25,381,695)	(48,437,124)
Earnings per share (EPS):					
Basic loss per share	16	(0.045)	(0.048)	(0.062)	(0.118)

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2021 (unaudited)

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2021</i>	<i>30 June 2020</i>	<i>30 June 2021</i>	<i>30 June 2020</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Loss for the period	(18,591,837)	(19,531,699)	(25,381,695)	(48,437,124)
Other comprehensive income:				
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods</i>				
Profit on disposal of investments carried at fair value through other comprehensive income (FVTOCI)	135,911	-	135,911	-
Net change in fair value of investments carried at FVTOCI	295,769	4,703,529	2,812,361	(7,533,751)
Total other comprehensive income / (loss)	431,680	4,703,529	2,948,272	(7,533,751)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(18,160,157)	(14,828,170)	(22,433,423)	(55,970,875)

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021 (unaudited)

	<i>Notes</i>	<i>30 June 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	7	655,401,649	668,385,081
Investment property		10,700,000	10,700,000
Investments carried at fair value through other comprehensive income (FVTOCI)	9(a)	13,545,875	28,210,176
Trade and other receivables	8	2,167,283	2,167,283
		<u>681,814,807</u>	<u>709,462,540</u>
Current assets			
Inventories	10	86,003,897	70,951,927
Trade and other receivables	8	91,166,143	91,605,898
Investments carried at fair value through profit or loss (FVTPL)	9(b)	42,133,203	39,703,643
Bank balances and cash	11	10,433,467	6,267,930
		<u>229,736,710</u>	<u>208,529,398</u>
Total assets		<u><u>911,551,517</u></u>	<u><u>917,991,938</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	410,548,410	410,548,410
Reserves	13	348,663,041	369,190,461
Fair value reserve	9(a)	(38,426,020)	(58,537,574)
Accumulated losses		(50,550,393)	(8,005,416)
Total equity		<u>670,235,038</u>	<u>713,195,881</u>
Non-current liabilities			
Provision for employees' end of service indemnities		8,410,725	8,815,240
Term loans	14	224,604	322,978
		<u>8,635,329</u>	<u>9,138,218</u>
Current liabilities			
Bank borrowings	14	53,075,799	55,498,001
Term loans	14	194,868	189,424
Trade and other payables	15	179,410,483	139,970,414
		<u>232,681,150</u>	<u>195,657,839</u>
Total liabilities		<u>241,316,479</u>	<u>204,796,057</u>
Total equity and liabilities		<u><u>911,551,517</u></u>	<u><u>917,991,938</u></u>



Kayed Omar Saqr Mohamed Al Qassimi
Chairman of the Board of Directors

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months' period ended 30 June 2021 (unaudited)

	<i>Share capital AED</i>	<i>Reserves AED</i>	<i>Fair value reserve AED</i>	<i>Accumulated losses AED</i>	<i>Total AED</i>
Balance at 1 January 2021	410,548,410	369,190,461	(58,537,574)	(8,005,416)	713,195,881
Loss for the period	-	-	-	(25,381,695)	(25,381,695)
Other comprehensive income for the period	-	-	2,812,361	135,911	2,948,272
Total comprehensive loss for the period	-	-	2,812,361	(25,245,784)	(22,433,423)
Transfer on disposal of investments carried at FVTOCI (note 9 (a))	-	-	17,299,193	(17,299,193)	-
Dividend distribution (note 17)	-	(20,527,420)	-	-	(20,527,420)
Balance at 30 June 2021 (unaudited)	410,548,410	348,663,041	(38,426,020)	(50,550,393)	670,235,038
Balance at 1 January 2020	821,096,820	369,190,461	(165,820,487)	(43,090,251)	981,376,543
Loss for the period	-	-	-	(48,437,124)	(48,437,124)
Other comprehensive loss for the period	-	-	(7,533,751)	-	(7,533,751)
Total comprehensive loss for the period	-	-	(7,533,751)	(48,437,124)	(55,970,875)
Balance at 30 June 2020 (unaudited)	821,096,820	369,190,461	(173,354,238)	(91,527,375)	925,405,668

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six months' period ended 30 June 2021 (unaudited)

	Notes	<i>Six-month period ended</i>	
		<i>30 June 2021</i>	<i>30 June 2020</i>
		<i>AED</i>	<i>AED</i>
OPERATING ACTIVITIES			
Loss for the period		(25,381,695)	(48,437,124)
Adjustments to reconcile profit to cash flows:			
Depreciation of property, plant and equipment	7	22,219,570	33,854,651
Finance cost		1,077,185	1,115,056
Provision for employees' end of service indemnity		210,000	210,000
Unrealised (gain)/ loss on investments carried at FVTPL	5	(5,348,781)	4,668,353
(Reversal)/ provision for expected credit losses	8	(217,686)	500,000
Gain on sale of investments in securities	5	(265,392)	-
Unwinding of receivable from sale of an associate		(400,000)	-
Interest and dividend income	5	(1,587,328)	(1,899,731)
		(9,694,127)	(9,988,795)
Working capital adjustments			
Trade and other receivables		1,057,441	36,317,771
Inventories		(15,051,970)	(2,445,993)
Trade and other payables		37,065,511	(7,280,529)
		13,376,855	16,602,454
Employees' end of service indemnity paid		(614,515)	(1,201,835)
Finance cost paid		(1,077,185)	(1,115,056)
Net cash flows generated from operating activities		11,685,155	14,285,563
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(9,236,138)	(9,646,596)
Proceeds on disposal of investments in securities		20,797,186	-
Dividends received	5	1,584,964	1,893,062
Interest received	5	2,364	6,669
Net cash flows generated from/ (used in) investing activities		13,148,376	(7,746,865)
FINANCING ACTIVITIES			
Net movement in bank borrowings		(2,515,132)	(3,972,388)
Dividends paid		(18,152,862)	(99,379)
Net cash used in financing activities		(20,667,994)	(4,071,767)
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		4,165,537	2,466,931
Cash and cash equivalents at the beginning of the period	11	6,267,930	6,558,945
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		10,433,467	9,025,876

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

1. CORPORATE INFORMATION

Gulf Cement Company P.S.C. (a Public Shareholding Company), Ras Al Khaimah (the "Company") is incorporated as a public shareholding company by Emiri decree number 24/77 issued by His Highness, The Ruler of Ras Al Khaimah, U.A.E., in 1977. The address of the Company's registered office is P. O. Box 5295 Ras Al Khaimah, United Arab Emirates. The Company's shares are listed on Abu Dhabi Securities Exchange (ADX). In the General Assembly Meeting held on 2 April 2020, the shareholders approved the delisting of the Company's shares from Kuwait Stock Exchange (Boursa Kuwait). The last day of trading of the Company's shares in Boursa Kuwait was on 14 December 2020.

The principal activities of the Company are production and marketing of all types of cement.

1.1 ASSESSMENT OF GOING CONCERN ASSUMPTION

During the six-month period ended 30 June 2021, the Company incurred a loss of AED 25.38 million and, as of that date, the Company's accumulated losses amounted to AED 50.55 million. Due to the slowdown in the overall economic environment, the performance of the Company has been impacted during the six-month period ended 30 June 2021 and the consequences of the COVID-19 outbreak in this period and the previous year has materially and adversely affected the demand and selling prices for the Company's primary products and therefore, its operating results have been negatively impacted. The construction activities in the export market were slowed due to stringent lockdown measures including fewer working days and suspension in residential construction activities.

During the period ended 30 June 2021, the Company had successfully recovered by improving earnings before income tax depreciation and amortization (EBITDA) from a negative EBITDA of AED 15.7 million during the period ended 30 June 2020 to a negative EBITDA of AED 2.08 million for the current period.

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. Even during this challenging time, the Company was able to manage its liquidity position by proactively lowering maintenance capex and liquidating some of its investments in stock markets without going for any significant external finance. Further, the Company has sufficient internal and external sources of finance until the time the performance metrics are improved which is expected to happen in the near future. The Company is currently low-leveraged and consequently management believe that it is better placed to face off the headwinds as compared to its competitors. At 30 June 2021 the Company had available of AED 102.6 million (31 December 2020: AED 102.3 million) of undrawn committed borrowing facilities.

Management foresee improvement in local and export markets, formal construction should gradually improve, albeit at slower pace, as the economies reopens. Management is determined on the following:

- Developing strategies to concentrate and expand the Cement sales volumes which is under significant pressure
- Deferment of all non-essential and discretionary expenditure for the conceivable future;
- Restricting capital expenditure to essential maintenance levels;
- Strict working capital management and reducing working capital in line with lower activity levels;
- Substantial restructuring actions to right-size the business in line with evolving demand and price levels and be the lowest cost-producer in the country through energy conservative measures and right mix of power sources and effective and efficient use of available resources.

Management is cognizant of the challenges that lie ahead and will continue proactively adapt in order to ensure optimum performance of the Company.

Management believes that the above actions, combined with other strategic and operational measures taken by the Board of Directors, are realistic and reasonable and will effectively transform the profitability of the Company and improve its ability to generate future profits and cash flows and continue its operations in the foreseeable future.

The impact of COVID-19 may continue to evolve, but at the present time the projections demonstrate that the Company has sufficient resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2020. As a result, these interim condensed financial statements continue to be prepared on a going concern basis.

The Company will continue to closely monitor the impact of COVID-19 as the situation progresses to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance in 2021.

2. BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed financial statements of the Company for the six-month period ended 30 June 2021 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 31 December 2020.

In addition, results for the six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

The interim condensed financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company's functional currency, and all values are rounded to the nearest Dirhams except where otherwise indicated.

The interim condensed financial statements have been prepared on a historical cost basis except for investments carried at fair value through profit or loss, investments carried at fair value through other comprehensive income and investment property that have been measured at fair value.

2.2 New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the Company.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16

The amendment to IFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from the Covid-19 pandemic.

These amendments had no impact on the interim condensed financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2021 (unaudited)

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

In preparing these interim condensed financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements for the year ended 31 December 2020.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS**4.1 Disaggregated revenue information**

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2021</i>	<i>30 June 2020</i>	<i>30 June 2021</i>	<i>30 June 2020</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Type of revenue				
Sale of goods	90,932,538	85,657,563	167,574,806	173,918,837
	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2021</i>	<i>30 June 2020</i>	<i>30 June 2021</i>	<i>30 June 2020</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Geographical markets				
Within UAE	14,124,403	18,374,623	33,767,133	44,457,872
Outside UAE	76,808,135	67,282,940	133,807,673	129,460,965
	90,932,538	85,657,563	167,574,806	173,918,837
	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2021</i>	<i>30 June 2020</i>	<i>30 June 2021</i>	<i>30 June 2020</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Timing of revenue recognition				
Goods transferred at a point in time	90,932,538	85,657,563	167,574,806	173,918,837

Revenue includes AED 156.4 million which represents 93% of total revenue from 7 customers (2020: AED 156.0 million which represents 90% of total revenue from 7 customers).

4.2 Contract balances

	<i>30 June</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade receivables (note 8)	72,976,122	79,381,184
Advances from customers (note 15)	1,414,902	1,479,147

4.3 Performance obligations

The performance obligation on sales of goods is satisfied upon delivery and payment is generally due within 150 to 180 days (2020: 150 to 180 days) from delivery.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2021 (unaudited)

5. INVESTMENT INCOME/ (LOSS) - NET

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2021</i>	<i>30 June 2020</i>	<i>30 June 2021</i>	<i>30 June 2020</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Unrealised gain/ (loss) on investments carried at FVTPL (note 9)	3,109,707	579,979	5,348,781	(4,668,353)
Gain on disposal of investment carried at FVTPL	265,392	-	265,392	-
Dividend income	428,212	1,200,780	1,584,964	1,893,062
Interest income	1,441	5,266	2,364	6,669
	3,804,752	1,786,025	7,201,501	(2,768,622)

6. OTHER INCOME

Other income includes AED 6.7 million received by the Company as a compensation for the release of a plot of land to RAK Port Authority. The plot was allocated to the Company in prior years by the Ras Al Khaimah government for nil consideration.

7. PROPERTY, PLANT AND EQUIPMENT

- During the six-month period ended 30 June 2021, additions to property, plant and equipment amounted to AED 9,236,138 (30 June 2020: AED 9,646,596) and depreciation for the six-month ended 30 June 2021 amounted to AED 22,219,570 (30 June 2020: AED 33,854,651).
- The factory and its related buildings are constructed on plots of land owned by the Government of Ras Al Khaimah.
- All property, plant and equipment is located in the UAE.
- Motor vehicles with net book value of AED 540 thousand (31 December 2020: 680 thousand) are mortgaged against auto loan (note 14 (b)).
- There is a negative pledge over property, plant and equipment against borrowings. (note 14 (a)).
- Assignment of fire insurance policy over moveable property, plant and equipment in relation to banking facilities obtained by the Company (note 14 (a)).

8. TRADE AND OTHER RECEIVABLES

	<i>30 June</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade receivables	75,917,346	82,540,094
Less: allowance for expected credit losses (note (b))	(2,941,224)	(3,158,910)
	72,976,122	79,381,184
Other receivables	17,290,021	11,724,714
Relating to receivable from sale of an associate	3,067,283	2,667,283
	93,333,426	93,773,181
Relating to receivable from sale of an associate due after one year	(2,167,283)	(2,167,283)
	91,166,143	91,605,898

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2021 (unaudited)

8. TRADE AND OTHER RECEIVABLES (continued)

- a) The credit risk associated with the Company's trade receivables is considered limited as the Company holds trade receivables amounting to AED 59.9 million (31 December 2020: AED 58.7 million) fully covered by unconditional bank guarantees or letter of credit from the customers to secure the collectability of these trade receivables.
- b) The movement in allowance for expected credit losses during the period was as follows:

	30 June 2021 AED (unaudited)	31 December 2020 AED (audited)
Balance at the beginning of the period	3,158,910	1,872,634
(Reversal)/ charge during the period	(217,686)	2,467,900
Write-off during the period	-	(1,181,624)
	<hr/>	<hr/>
Balance at the end of the period	2,941,224	3,158,910
	<hr/> <hr/>	<hr/> <hr/>

9. INVESTMENT IN SECURITIES**a) Investments carried at fair value through other comprehensive income (FVTOCI)**

	30 June 2021 AED (unaudited)	31 December 2020 AED (audited)
Quoted	47,894,190	82,670,045
Unquoted	4,077,705	4,077,705
	<hr/>	<hr/>
Total gross investments at FVTOCI at cost	51,971,895	86,747,750
Less: accumulated fair value reserve, net	(38,426,020)	(58,537,574)
	<hr/>	<hr/>
Fair value of investments	13,545,875	28,210,176
	<hr/> <hr/>	<hr/> <hr/>

The geographical spread of the above investments is as follows:

	30 June 2021 (unaudited)			31 December 2020 (audited)		
	Concentration percentage on fair value	Cost AED	Fair value AED	Concentration percentage on fair value	Cost AED	Fair value AED
UAE	1%	175,838	131,100	0.4%	175,838	111,600
Other GCC countries	99%	51,796,057	13,414,775	99.6%	86,571,912	28,098,576
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	100%	51,971,895	13,545,875	100%	86,747,750	28,210,176
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The cumulative change in fair value of investments carried at FVTOCI amounted to negative AED 38.4 million as at 30 June 2021 (31 December 2020: negative AED 58.5 million) and is shown under equity. During the six-month period ended 30 June 2021, the Company has transferred AED 17.3 million from fair value reserve to accumulated losses arising from the disposal of investments carried FVTOCI.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2021 (unaudited)

9. INVESTMENT IN SECURITIES (continued)**a) Investments carried at fair value through other comprehensive income (FVTOCI) (continued)**

Equity instruments designated at fair value through OCI include investments in equity shares of listed and non-listed companies. The Company holds non-controlling interests in these companies. These investments were irrevocably designated at fair value through OCI as the Company considers these investments to be strategic in nature.

b) Investments carried at fair value through profit or loss (FVTPL)

	<i>30 June 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Quoted	78,687,984	83,815,027
Unquoted	2,826,156	2,826,156
Total gross investments at FVTPL at cost	81,514,140	86,641,183
Less: cumulative changes in fair value	(39,380,937)	(46,937,540)
Fair value of investments	42,133,203	39,703,643

The geographical spread of the above investments is as follows:

	<i>30 June 2021 (unaudited)</i>			<i>31 December 2020 (audited)</i>		
	<i>Concentration percentage on fair value</i>	<i>Cost AED</i>	<i>Fair value AED</i>	<i>Concentration percentage on fair value</i>	<i>Cost AED</i>	<i>Fair value AED</i>
UAE	40%	27,271,815	16,855,821	48.4%	31,496,928	19,207,200
Other GCC countries	60%	54,242,325	25,277,382	51.6%	55,144,255	20,496,443
	100%	81,514,140	42,133,203	100%	86,641,183	39,703,643

Movement in investment in securities were as follows:

	<i>30 June 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Fair value of investments at the beginning of the period/ year	67,913,819	77,521,868
Disposals made during the period/ year	(20,395,883)	(20,000)
Unrealized gain/ (loss) on revaluation of investments carried at FVTPL (note 5)	5,348,781	(4,890,962)
Change in the fair value of investments carried at FVTOCI	2,812,361	(4,697,087)
Fair value of investments at the end of the period/ year	55,679,078	67,913,819

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At 30 June 2021 (unaudited)

10. INVENTORIES

	<i>30 June 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Finished goods	8,158,714	10,519,259
Raw materials	11,709,151	16,755,305
Work in progress	17,037,230	5,317,889
Bags, fuel and lubricants	31,796,989	25,756,594
Spare parts – maintenance department	24,880,007	24,780,293
Consumable items	12,989,622	8,412,939
Tools	457,739	435,203
	107,029,452	91,977,482
Less: allowance for slow-moving inventories	(21,025,555)	(21,025,555)
	86,003,897	70,951,927

- a) Assignment of fire insurance policy over inventories in relation to banking facilities obtained by the Company (note 14 (a)).
- b) Inventories are pledged against banking facilities obtained by the Company (note 14 (a)).

11. BANK BALANCES AND CASH

	<i>30 June 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Cash on hand	104,199	13,416
Bank balances:		
Current accounts	5,337,022	4,479,566
Call deposits	4,992,246	1,774,948
Total bank balances	10,329,268	6,254,514
Bank balances and cash	10,433,467	6,267,930

	<i>30 June 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Bank balances		
In UAE	6,771,946	4,780,007
In other GCC countries	3,557,322	1,474,507
	10,329,268	6,254,514

Call deposits carry interest at commercial rates per annum and are made for a period of less than three months.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2021 (unaudited)

12. SHARE CAPITAL

	<i>30 June 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Issued and fully paid:		
410,548,410 ordinary shares of AED 1 each	410,548,410	410,548,410

13. RESERVES

According to the Company's Articles of Association and the requirements of the U.A.E. Federal Law No (2) of 2015, 10% of the profit of each year is transferred to the statutory reserve and another 10% to the voluntary reserve. The transfer to statutory reserve may be suspended when it reaches 50% of the paid-up share capital. Statutory reserve is not available for distribution except as stipulated by the Law. The transfer to voluntary reserve may be suspended by the ordinary general assembly at the recommendation of the Board of Directors or when it reaches 20% of the Company's paid-up share capital.

	<i>Statutory reserve AED</i>	<i>Voluntary Reserve AED</i>	<i>Total AED</i>
Balance at 31 December 2019 and 31 December 2020 (audited)	364,457,977	4,732,484	369,190,461
Balance at 30 June 2020 (unaudited)	364,457,977	4,732,484	369,190,461
Balance at 30 June 2021 (unaudited)	343,930,557	4,732,484	348,663,041

At the Annual General Meeting held on 11 April 2021, the shareholders approved the declaration of dividend distribution of AED 20.5 million through statutory reserve (note 17) as approved by the regulatory authorities in the UAE.

14. BANK BORROWINGS**a) Short term**

	<i>30 June 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Bank overdraft facilities	9,093,972	10,585,732
Short term loan	43,981,827	44,912,269
Total bank borrowings	53,075,799	55,498,001

The Company's overdraft balances are repayable on demand and short-term loans are repayable within twelve months. The overdraft balances and short-term loan carries interest rates at market competitive variable rates based on EIBOR plus a spread and are secured against promissory note issued by the Company and certain other securities such as assignment of fire insurance policy over inventory (note 10 (a)) and movable property, plant and equipment (note 7 (f)) and pledge over inventories (note 10 (b)) and a negative pledge over property, plant and equipment (note 7(e)).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2021 (unaudited)

14. BANK BORROWINGS (continued)**b) Long term**

	<i>30 June 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Current portion	194,868	189,424
Non-current portion	224,604	322,978
Total term loans	419,472	512,402

The term loans carry interest at 3% p.a., are secured against vehicles financed (note 7(d)) and repayable on a monthly basis with last instalment due on 1 August 2023.

15. TRADE AND OTHER PAYABLES

	<i>30 June 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Trade payables	126,518,905	96,877,645
Unclaimed dividend payable	31,073,860	28,699,302
Accrued expenses	18,894,479	10,872,155
Advances from customers (note 4)	1,414,902	1,479,147
Other payables	1,508,337	2,042,165
	179,410,483	139,970,414

16. BASIC LOSS PER SHARE

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2021 AED (unaudited)</i>	<i>30 June 2020 AED (unaudited)</i>	<i>30 June 2021 AED (unaudited)</i>	<i>30 June 2020 AED (unaudited)</i>
Loss for the period	(18,591,837)	(19,531,699)	(25,381,695)	(48,437,124)
Weighted average number of shares	410,548,410	410,548,410	410,548,410	410,548,410
Basic loss per share	(0.045)	(0.048)	(0.062)	(0.118)

a) The denominator for the purpose of calculation of basic loss per share for the period ended 30 June 2020 has been adjusted to reflect the effect of capital reduction on 29 December 2020 as if the capital reduction occurred from the beginning of the prior period without a corresponding change in resources in accordance with the requirements of IAS 33 'Earnings per share'.

b) The Company has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2021 (unaudited)

17. DIVIDENDS

At the annual general meeting held on 11 April 2021, AED 20.5 million cash dividends which represents 5% of the Company's share capital were approved (AED 0.05 per share) for the year ended 31 December 2020 as approved by the regulatory authorities in the UAE. Shareholders also approved no remuneration for Board of Directors' for the year ended 31 December 2021 (2020: nil).

18. RELATED PARTY BALANCES AND TRANSACTIONS

During the period, the Company entered into the following transactions with related parties:

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2021</i>	<i>30 June 2020</i>	<i>30 June 2021</i>	<i>30 June 2020</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Attendance expenses for Board of Directors and committees' meetings	103,120	-	257,426	212,672
Profit on the release of a plot of land owned by the Ras Al Khaimah government (note 6)	-	-	6,691,655	-

Compensation of key management personnel

The remuneration of key management during the year was as follows:

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2021</i>	<i>30 June 2020</i>	<i>30 June 2021</i>	<i>30 June 2020</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Salaries and other short-term benefits (note below)	978,233	1,130,107	1,956,466	2,217,539
Employees' end of service benefits	96,300	98,804	192,600	197,609
	1,074,533	1,228,911	2,149,066	2,415,148

The amounts disclosed in the table above relating to salaries and other short-term benefits are the amounts recognised as an expense during the year related to key management personnel.

19. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>30 June 2021</i>	<i>31 December 2020</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Letters of credit	35,148,582	26,915,174
Letters of guarantee	236,730	5,236,724

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2021 (unaudited)

20. SEGMENT INFORMATION

The Company is organised into two main business segments:

Manufacturing of all types of cement and investments incorporating investments in marketable equity securities, deposits with banks (excluding current accounts) and investment properties.

	<i>Six-month period ended 30 June 2021</i>			<i>Six-month period ended 30 June 2020</i>		
	<i>Manufacturing</i>	<i>Investments</i>	<i>Total</i>	<i>Manufacturing</i>	<i>Investments</i>	<i>Total</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Segment revenue	167,574,806	-	167,574,806	173,918,837	-	173,918,837
Segment result	(32,583,196)	7,201,501	(25,381,695)	(45,668,502)	(2,768,622)	(48,437,124)

	<i>30 June 2021</i>			<i>31 December 2020</i>		
	<i>Manufacturing</i>	<i>Investments</i>	<i>Total</i>	<i>Manufacturing</i>	<i>Investments</i>	<i>Total</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Segment assets	840,180,193	71,371,324	911,551,517	837,603,171	80,388,767	917,991,938
Segment liabilities	241,316,479	-	241,316,479	204,796,057	-	204,796,057

There are no transactions between the business segments.

Additional information required by IFRS 8 Segment Reporting, is disclosed below:

a) Information about geographical segments

During the six-month period ended 30 June 2021, revenue from customers located in the Company's country of domicile (UAE) is AED 33.8 million (six-month period ended 30 June 2020: AED 44.5 million) and revenue from customers outside UAE (foreign customers) is AED 133.8 million (six-month period ended 30 June 2020: AED 129.5 million).

b) Major customers

Revenue includes AED 156.4 million which represents 93% of total revenue from 7 customers (2020: AED 156.0 million which represents 90% of total revenue from 7 customers).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2021 (unaudited)

21. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the interim condensed financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2020.

Fair value of the Company's financial assets that are measured at fair value on recurring basis

Some of the Company's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

<i>Financial assets</i>	<i>Fair value</i>		<i>Fair value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>	<i>Relationship of unobservable inputs to fair value</i>
	<i>30 June 2021</i> <i>AED (unaudited)</i>	<i>31 December 2020</i> <i>AED (audited)</i>				
Quoted equity investments carried at FVTOCI	12,927,502	27,591,803	Level 1	Quoted bid prices in an active market	None	N/A
Unquoted equity investments carried at FVTOCI	618,373	618,373	Level 3	Adjusted net assets valuation method	Net assets value and discount for lack of marketability	Management has used net assets valuation method, which is appropriate fair value as per management.
Quoted equity instruments carried at FVTPL	42,133,203	39,703,643	Level 1	Quoted bid prices in an active market	None	N/A
	<u>55,679,078</u>	<u>67,913,819</u>				

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2021 (unaudited)

21. FAIR VALUE MEASUREMENT (continued)*Fair value hierarchy (continued)*

For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

30 June 2021 (unaudited)

	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>	<i>Total AED</i>
Investment property	-	-	10,700,000	10,700,000
Investments carried at FVTPL	42,133,203	-	-	42,133,203
Investments carried at FVTOCI:				
- Quoted equities	12,927,502	-	-	12,927,502
- Unquoted equities	-	-	618,373	618,373
	<u>55,060,705</u>	<u>-</u>	<u>11,318,373</u>	<u>66,379,078</u>

31 December 2020 (audited)

	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>	<i>Total AED</i>
Investment property	-	-	10,700,000	10,700,000
Investments carried at FVTPL	39,703,643	-	-	39,703,643
Investments carried at FVTOCI:				
- Quoted equities	27,591,803	-	-	27,591,803
- Unquoted equities	-	-	618,373	618,373
	<u>67,295,446</u>	<u>-</u>	<u>11,318,373</u>	<u>78,613,819</u>

There were no transfers between the levels during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

22. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Board of Directors and authorised for issue on 11 August 2021.